

FORM 100-2

CLASSIFICATION ~~RESTRICTED~~
 SECURITY INFORMATION
 CENTRAL INTELLIGENCE AGENCY
 INFORMATION FROM
 FOREIGN DOCUMENTS OR RADIO BROADCASTS

FOR OFFICIAL USE ONLY

REPORT

CD NO.

DATE OF
INFORMATION 1952

DATE DIST. 26 Nov 1952

NO. OF PAGES 17

SUPPLEMENT TO
REPORT NO.

COUNTRY USSR; Satellites
 SUBJECT Economic - Planning, foreign trade, CEMA
 Political - External
 HOW
 PUBLISHED Monthly periodical
 WHERE
 PUBLISHED Budapest
 DATE
 PUBLISHED Apr 1952
 LANGUAGE Hungarian

UNCLASSIFIED

AUG 11 1954

FOR OFFICIAL USE ONLY

(Sanitized)

THIS DOCUMENT CONTAINS INFORMATION AFFECTING THE NATIONAL DEFENSE
 OF THE UNITED STATES, WITHIN THE MEANING OF TITLE 18, SECTIONS 793
 AND 794, OF THE U.S. CODE, AS AMENDED. ITS TRANSMISSION OR REVE-
 LATION OF ITS CONTENTS TO OR RECEIPT BY AN UNAUTHORIZED PERSON IS
 PROHIBITED BY LAW. THE REPRODUCTION OF THIS FORM IS PROHIBITED.

THIS IS UNEVALUATED INFORMATION

SOURCE Magyar-Szovjet Kozgazdasagi Szemle, Vol VI, No 4, 1952.

THE CEMA AND ECONOMIC COOPERATION
BETWEEN THE USSR AND THE PEOPLE'S DEMOCRACIES

[Comment: The following information is from an article based
 on a lecture given by Istvan Friss at the Budapest Economic Un-
 iversity on 18 March 1952.

The article presents only general outline of the main activ-
 ities of CEMA, with any actual figures which Friss may have used
 in his lecture deleted. However, it contains the most extensive
 summary of these activities so far published in the Hungarian
 press

I. ORIGIN OF CEMA

The economic ties which exist between the USSR and the People's De-
 mocracies are radically different from those previously known in interna-
 tional relations. The reason for this is easy to understand.

In the capitalist countries power is concentrated in the hands of mono-
 polies and finance. Due to the nature of imperialism, these countries are
 compelled to pursue a policy of spoliation and conquest. The success of this
 policy depends partly on the economic and political situation of the country
 at which the drive is aimed and partly on the aims and influence of other
 countries. Consequently, the capitalist world is characterized by interdepen-
 dence on the one hand and by a system of domination and subordination on the
 other.

The more advanced countries oppress and despoil the underdeveloped coun-
 tries, block their development, and endeavor to increase their dependent status.
 This fact is most clearly demonstrated by the relationship which exists be-
 tween imperialist powers and colonial or semicolonial countries. Currently,
 the US is fairly successful in subjugating and exploiting even imperialist
 countries. In this world of "dog eat dog" every country is at war with every
 other country.

- 1 -

FOR OFFICIAL USE ONLY

CLASSIFICATION		RESTRICTED		DISTRIBUTION									
STATE	<input checked="" type="checkbox"/> NAVY	<input checked="" type="checkbox"/> NSRB											
ARMY	<input checked="" type="checkbox"/> AIR	<input checked="" type="checkbox"/> FBI											

~~RESTRICTED~~

STAT

In the USSR and the People's Democracies, power is in the hands of the working class. Their policy rests on equal rights and the respect of the interests and independence of other countries. Relations between the USSR and the People's Democracies, however, go beyond this principle and are based on close friendship and the endeavor to help one another mutually.

The People's Democracies are indebted to the USSR not only for their freedom and independence, but also for the fact that they are permitted to build socialism in peace. Their constructive work is facilitated by the experiences gained in the country of socialism. The People's Democracies learned from the USSR how to socialize industry, that expansion of heavy industry, including machine building, is a primary prerequisite for industrialization, and that workers and peasants must be linked closer together.

Following the Soviet lead, all People's Democracies have adopted economic planning, which logically leads to a planned expansion of relations among themselves. This, in turn, has the result that in expanding its economy each country gives increasing consideration to the requirements of the other countries in the camp of socialism. Increase in the strength of any one of these countries is tantamount to an increase in the total strength of the camp. It is, therefore, easy to understand that they are endeavoring to aid each other's development.

In the history of the economic relations between the USSR and the People's Democracies two periods may be distinguished: the first extends from liberation until the creation of the CEMA, and the second from this date on.

Relations among these countries have been friendly ever since the USSR smashed fascism. Since then, friendship has become more and more firmly established, although relations at the beginning were not as cordial as they are at present. The development of these relations was governed partly by the general international situation after World War II and partly by the consolidation of the power of the working class.

Obviously, however close was the friendship between the USSR and the People's Democracies immediately after liberation, economic relations of the new, socialistic type could develop among them only after the People's Democracies themselves had become socialist states.

The CEMA was created after this development had been completed. Therefore the CEMA does not mark a turning point in the sense that it started something radically new. Rather, it may be said that by creating the CEMA the USSR and the People's Democracies drew the conclusion from the process which had begun at the end of the war and had by 1947 - 1948 resulted in the formation of two camps and the transformation of the People's Democracies into proletarian dictatorships.

The resolution of the Cominform issued at the end of September 1947 states: "Two conflicting policies have come into being: one is the policy of the USSR and the democratic countries, whose object is to undermine imperialism and to consolidate democracy; the other policy is that of the US and Britain, whose object is to strengthen imperialism and to choke democracy."

This characterization of the international line-up has since been confirmed by innumerable facts. The development of the People's Democracies, freed from the chains of imperialism, progressed parallel with the development of the international situation. In these countries the bourgeoisie was gradually deprived of power and the building of socialism was begun.

- 2 -

~~RESTRICTED~~

~~RESTRICTED~~

STAT

During 1947 - 1948, all People's Democracies underwent a transformation justifying Rakosi's statement in his "Some Problems of the People's Democracy," published on 16 January 1949: "... The People's Democracy is a state in which the working population, as a result of the victory of the USSR and leaning on the USSR, progresses, under the leadership of the working class, from capitalism toward socialism. From the viewpoint of its function, the People's Democracy is a proletarian dictatorship without the form of soviets." The CEMA was created at the time the above article was written.

II. ECONOMIC AID BY THE USSR

The fascist hordes left ruin and starvation behind them after their expulsion from Rumania, Bulgaria, Poland, Hungary, and Czechoslovakia. However, the liberating Soviet Army was accompanied by Soviet aid of food and other necessities. This fact is important particularly for Hungary, Rumania, and Bulgaria, because Poland and Czechoslovakia were considered countries conquered by the Germans and Soviet allies during the war. Hungary, Rumania, and Bulgaria, on the other hand, had belonged to the fascist camp. The Hungarian fascists, in league with the Germans, committed murders and devastated property in the Ukraine and other Soviet territories.

The war was still going on when a Soviet-Polish agreement was signed on 20 October 1944, on the basis of which the Soviets started to send coal, oil products, flour, salt, and matches to Poland on one year's credit. Warsaw had hardly been liberated when the Soviet Republics rushed gifts of grain to the city. The USSR sent 30,000 tons, the Ukrainian SSR 15,000, the Belorussian SSR 10,000, and the Lithuanian SSR 5,000 tons. At the request of the Polish government, the USSR also delegated experts to work out a plan for the rebuilding of Warsaw and assumed half the cost of rebuilding the most important districts of the city. This was the first form of economic cooperation between the USSR and a liberated country.

Czechoslovakia received, immediately after its liberation, fuel and raw materials, primarily cotton, from the USSR. The quick recovery of Czechoslovak industry was due to this aid. Similar aid was extended by the USSR to the other liberated countries also.

We know the extent and importance of aid by our own experience. The fight was still in progress in the western part of our country when the first large food shipments arrived, first in our provincial cities and then in starving Budapest. The work of the Soviet engineer troops in rebuilding our railroads and bridges helped considerably in restoring order to our transportation. The rural population of Hungary owes particular gratitude to its liberators. The Soviet government helped the Hungarian government in carrying out the land reform and subsequently gave seed and draft animals to our peasants for the spring farm work.

The first raw material shipments with which our industry could resume production came from the USSR. At a time when we had neither money nor credit, the USSR had large amounts of cotton processed into finished products in our factories, paying us for the work with a considerable part of the cotton. This arrangement put our textile industry on its feet again.

The question of reparations may also be considered. Under the peace treaty, Hungary, Rumania, and Bulgaria were required to make reparations payments, because all three countries had been allied with the fascist aggressors.

~~RESTRICTED~~

RESTRICTED

STAT

Conquered nations were often compelled in the past to pay reparations to victorious capitalist countries. However, there is a basic difference between reparations payments made to capitalist countries and those made to the USSR.

In the era of imperialism reparations payments became one of the most effective tools of economic subjugation. After World War I the victorious entente powers, especially France and Britain, set Germany's reparations payments high enough to make it a satellite for at least a half century. At the same time, Britain and France became the debtors of the US during the war. This permitted the US-although it had no claim for reparations on Germany-to divert all of the German reparations payments to itself. The German reparations plan-the so-called Dawes plan, which served the anti-USSR policy of the US--was prepared by the Morgan banking concern. Stalin characterized the Dawes plan as follows: "Europe pays its debt to the US at the expense of Germany and the latter is required to pay reparations to Europe. However, since Germany cannot raise these funds out of nothing, it must obtain markets which have not been pre-empted by other capitalist countries and from which it can obtain fresh means of satisfying its reparations obligations. Along with several unimportant markets, the US is thinking of our own Russian markets. Under the Dawes plan these markets must be ceded to Germany. Thus, Germany should be permitted to squeeze out these markets for the purpose of making reparations payments to Europe which, in turn, is required to amortize its debt to the US."

Stalin clearly showed that the US policy was aggressive, predatory, and oppressive even in the period following World War I. It was due not to the US but to the USSR that attempts to make the latter a colony were frustrated. Lacking markets, Germany was unable to pay reparations and the Young plan, which succeeded the Dawes plan in 1931, was saved for a time by large American loans. During a 5-year period, American banks extended loans totaling 1,158,500,000 dollars to German industry, primarily to war industry. The US thus revived German militarism and became a partner in Germany's heavy industry. The way leading to World War II was paved, and this explains the well-known fact that the US Air Force failed to bomb the I. G. Farben, Krupp and other plants producing war materials in World War II.

A fundamentally different policy was followed by the USSR in regard to reparations after World War II. The amount of reparations imposed on Hungary, as well as on other countries, was far below the extent of the damage which Horthy's soldiers had inflicted on the USSR. The USSR desired to receive reparations in the form of Hungarian industrial and agricultural products. The amount of reparations was based on a census of Hungarian productivity without impairing the satisfaction of Hungarian requirements or handicapping Hungary's economic development.

In view of postwar difficulties, relief in the fulfillment of Hungary's reparations obligations was granted repeatedly by the USSR. The period for completion of reparations payments was extended from 6 to 8 years and the annual quota was graduated. A 6-million-dollar claim arising out of delayed deliveries was forgiven, and the outstanding amount was reduced by 50 percent in June 1948.

Beyond these concessions, the reparations paid in industrial commodities played an important role in reviving and modernizing Hungarian heavy industry, because the USSR extended large-scale technological aid. This aid enabled Hungary to comply with its reparations obligations and also helped revive our entire national economy.

- 4 -

RESTRICTED

~~RESTRICTED~~

STAT

The USSR extended large-scale commodity loans to several People's Democracies. In this respect, too, the difference between the policies of the capitalist countries and of the USSR is significant. Loans extended by capitalist countries invariably have the purpose of exploiting and weakening the debtor countries. Loans were frequently extended in the past by imperialist countries to fascist governments, partly to entrench these in power and partly to strengthen their own power over these governments. The loans which Tito received in the US are typical, but examples can be found in Hungary's history as well.

After World War I, a so-called League of Nations loan was granted to Hungary, because international capitalism represented in the League of Nations considered it necessary to support the reactionary Horthy-Bethlen regime. Bethlen, of course, applied for this loan also as a pretext for bringing US supervision into Hungary, thereby securing the help of American imperialism vis-a-vis the Hungarian people.

A similar role was assigned by the Ferenc Nagy cabinet to a loan which it attempted to obtain from the US first in 1946 and then in 1947. In return for this loan, American interference in Hungarian domestic affairs was to be secured, in an effort to block socialization and to revive the previous power of Hungarian capitalism.

The USSR never made it a condition of its loans to interfere in the domestic affairs of other countries. On the contrary, its loans do not affect the independence of the debtor country in the slightest degree.

In the cooperation between the USSR and other People's Democracies the so-called joint enterprises play an important role. We have four joint enterprises: the Maszobal in the field of bauxite mining, the Maszolaj in oil production, the Maszoviet in aviation, and the Meszhart in navigation. These are important to Hungary for two reasons. On the one hand, the USSR is helping to consolidate Hungary's national economy by contributing production and transportation equipment; thus, 46 vessels which had been sunk during the war were salvaged with Soviet help in April 1946. On the other, outstanding Soviet experts, e.g., in oil prospecting and production and aluminum manufacture, are working in our national economy and bring rich Soviet experience to us.

However, from the very beginning the most important area of cooperation between the USSR and the People's Democracies has been foreign trade. In capitalism, foreign trade is a powerful tool for the exploitation of a weaker country. International capital attempted to employ this tool against the USSR after World War I when a blockade was imposed on the young Soviet state for a long time. Hungary, too, received thorough instruction on this subject from fascist Germany before and during World War II. Let us remember that Germany received from Hungary during the war large volumes of vitally essential commodities, including grain, meat, fats, bauxite, and petroleum. In exchange, Hungary received goods of negligible importance, such as cameras, films, fountain pens, and harmonicas. Even so, Germany failed to pay in any form for part of Hungary's exports.

Even from the viewpoint of the capitalist class in power it was desirable that Hungary's industry, primarily its machine building industry, should be developed. German interests, on the other hand, dictated that Hungary should have an industry which could compete with theirs. Germany and its Hungarian henchmen went a long way toward reducing Hungary to the status of a raw-material producing colony. The Nazis followed the same policy in dealing with all adjacent East European and Balkan countries, while Nazi theory demonstrated that these countries were within Germany's sphere of influence and that, therefore, the task of their peoples was to serve the German people.

- 5 -

~~RESTRICTED~~

~~RESTRICTED~~

STAT

In contrast thereto, complete equality has been the rule in the relation between the USSR and the People's Democracies, in foreign trade as well as in other respects. There has been no trace of oppression or exploitation; the paramount view was that foreign trade agreements should benefit both parties. Thus Hungary, joining the USSR, was permitted for the first time to pursue a foreign trade policy which served its own interests and independence.

The foreign trade of the other People's Democracies presents the same picture. Prior to their liberation, these countries were likewise dependent on Germany. Their liberation brought a change in their situation and foreign trade. This change is particularly notable in their imports, the bulk of which consists of raw materials and machines. In all these countries foreign trade has become a means for fulfilling the economic plans and promoting socialist industrialization.

Undoubtedly, foreign trade is not a negligible factor from Soviet viewpoint; however, its importance is far greater for the People's Democracies because exports, and also imports, represent a considerably larger share of our total production than is the case in the USSR. Hungarian exports, for example, represented 10 percent of our total production during the past ten years, while the exports of the USSR amount to only a small fraction of total Soviet production.

Besides the composition of foreign trade, its direction has also undergone a fundamental change. Before the war, Germany's dominant position in East and Southeast Europe was demonstrated by the fact that 23 percent of Poland's imports and 40.8 percent of Hungary's imports originated in Germany, including Austria. The present People's Democracies had practically no trade with the USSR in that period. Despite their interdependence, they had relatively little trade even with one another, due to the interests of German imperialism.

Following liberation, the share of the USSR and other friendly countries in our foreign trade increased gradually. In 1947, the US still stood in first and Switzerland in second place in Hungary's exports, and the US occupied first place in Hungary's imports also. In 1948, however, the USSR was in first place, followed by Czechoslovakia.

Trade among the People's Democracies grew gradually, but without interruption. Polish-Czechoslovak trade, for example, increased by 200 percent from 1946 to 1947 and by over 300 percent from 1947 to 1948. Czechoslovak-Rumanian trade in 1946 amounted to 381 million Czechoslovak crowns and in 1948 increased to 2,260,000,000 Czechoslovak crowns. Trade between Poland and Rumania also increased substantially.

The fact that the change in foreign trade served the development of the People's Democracies is shown by the type of goods exchanged. Hungary received primarily cotton, iron ore, coke, nonferrous metals, industrial equipment, and agricultural and building machinery from the USSR. Our exports to the USSR included locomotives, diesel trains, railroad cars, barges, and textiles. The most important items exported to Czechoslovakia were agricultural products, oil, and aluminum, for which Hungary received, among other things, valuable machines and coke in exchange. We imported coke, coal, timber, and railroad cars from Poland and exported meat, fats, aluminum, medicines, and machines in exchange.

The USSR supplied Czechoslovakia with grain, cotton, ore, metals, and machines and received tubes, rails, cable, locomotives, textiles, and shoes in exchange. Poland exported coal, railroad cars, cloth, and sugar to the USSR and received cotton, iron ore, machines, and oil from the USSR. Bulgaria imported cotton, machines, and oil from the USSR and exported lead, tobacco, and zinc in exchange. Rumania exported mainly oil and timber to the USSR and received primarily cotton, metals, and machinery in exchange.

- 6 -

~~RESTRICTED~~

~~SECRET-USA~~

STAT

Due in large measure to growing economic cooperation, the national economies of the People's Democracies were consolidated rapidly after the war, the influence of the working class increased, and these countries entered the road leading to socialist construction.

The course of development in the countries which were not liberated from fascist oppression by the USSR was entirely different. Here, postwar economic policy was essentially dictated by the capitalist classes in power. Although war damage had been far less in these countries than in Hungary or the friendly countries, recovery was much slower. The capitalist system was unable to remedy the troubles. All burdens were shifted to the workers, and the American loans obtained were to be repaid by the workers. The misery of the workers increased and so did the capitalists' need for dollars and their dependence on the US. The masses turned toward the Communists, while capitalist persecution of Communists increased.

As early as April 1947, Truman, the bellwether of the most rapacious imperialist state -- the US -- announced that, in view of Communist danger on all sides, the US must provide support to all reactionary forces. In this speech Truman revealed himself as Hitler's successor and the spokesman of insane plans to dominate the world. "The US," he said, "is a strong state today. There is none stronger. This means that, in possession of such power, it is our duty to assume leadership in reorganizing the world."

Somewhat later, in June 1947, General Marshall, then Secretary of State, suggested, in general outline, his notorious plan. He based it on the statement that Europe was threatened by the worst economic, social, and political upheaval, which can be translated into Hungarian as meaning the imminent defeat of capitalism by Communism. To prevent this, Marshall recommended in essence that the European countries, i. e., the capitalist classes in power, should join forces, subordinate themselves to American leadership, and that this coalition should be given support by the US. In short, the US should pay in commodities for the execution of its orders.

The Marshall Plan, even in this tentative draft, had three characteristics: a hostile attitude to the people, an endeavor by American capital to colonize other countries, and hostility to the USSR and the People's Democracies.

The French and British governments quickly accepted the plan. Although Marshall, in common with his British and French colleagues, had nothing more noble in mind than to save capitalism, they acted out a comedy purporting to glorify this action as powerful American aid to the poverty-stricken peoples of Europe. This was the reason for inviting Soviet Minister of Foreign Affairs Molotov to Paris in June 1947 to discuss the Marshall Plan.

Molotov unmasked the plan in Paris and protested vigorously against interference in a country's internal affairs by any other country in the guise of assistance. "In the opinion of the Soviet delegation," he said, "internal policy and a national effort must play the deciding role in the European countries instead of reliance on foreign aid."

By that time, however, the important issue for the governments of Britain and France was not the maintenance of national independence but protection from their own peoples. Since this protection could come only from the rich US, they renounced independence and sovereignty and made the only condition that they should be the exclusive agents of the US in Europe.

Fourteen additional European capitalist countries tried to secure American "assistance" and, on American instructions, created the Committee of European Economic Cooperation.

- 7 -

~~SECRET-USA~~

~~RESTRICTED~~

STAT

The Americans were not in a hurry. First, they endeavored to secure the right of dictating without restriction to the countries which were to receive "assistance." The real meaning of the Marshall Plan was revealed fully by reports to the US Congress and the debate in both houses. For example, the fact that the purpose of the plan was the colonization of Europe was laid down in the language of the Harriman Committee: "The 16 European countries must refrain from a rapid expansion and modernization of industry, as well as from the large-scale mechanization of agriculture. European endeavor to make excessive capital investments would be a blow to the aims of the plan of assistance." On the other hand, the hostility of the plan to liberty is demonstrated by the recommendation of the Senate Foreign Affairs Committee, under which appropriations for military assistance to Turkey, Greece, and Kuomintang China were to be included in the total sum appropriated for the Marshall Plan.

The capitalist classes accepted all conditions, and the American imperialists had reason to be satisfied with the result. One expectation of the robbers was, however, frustrated. They had hoped that the People's Democracies would turn their backs on the USSR, but this hope was not fulfilled. Representatives of the bourgeois classes, who still had a strong influence in the People's Democracies at that time, attempted to present American "assistance" in glowing colors; but the Marshall Plan was rejected by the Communists who, by then, had a large popular following. Thus, the question was decided in favor of continued peaceful and free progress by the efforts of the people themselves. These are the developments which led to the splitting of the world into two camps. The split was the subject matter of the Cominform resolution published a few months after the creation of the CEMA.

In one camp are the USSR and the European People's Democracies. Their economic cooperation is based on principles which had long been followed by the USSR: absolute respect of the independence, sovereignty, and rights of each member in the common interest. These countries made use primarily of their own capabilities in an effort to recover from war damage and have achieved outstanding results in peaceful reconstruction.

In the other camp are the US and its capitalist satellites. The Marshall Plan, mainly through the threat of a reduction or withdrawal of assistance, proved a suitable instrument in the hands of the American imperialists for overcoming the occasional revolts of the dependent European countries. The plan contributed much toward American efforts to drive the Marshallized European countries into an armaments program the costs of which amount to a multiple of the assistance received.

The Marshall Plan terminated in 1951. France had received "assistance" in the amount of 500 billion francs and spent 2 trillion francs on rearming. Britain's share in the "assistance" was 2.7 billion dollars, while its military expenditures totaled approximately 11 billion dollars.

The American robbers, while carrying out their plans to colonize Europe, thus succeeded in driving the whole capitalist world into a mad armaments race. Yet their purpose has not been realized. In France and Italy the Communist Party is still the depository of the people's confidence. The attempt to drive a wedge into the camp of democracy also failed. Since the statements of the Cominform, published in September 1947, the balance of power has shifted in favor of the peace camp.

~~RESTRICTED~~

STAT

III. ACTIVITIES OF CEMA

The years 1947 and 1948 were ones of vigorous economic progress and also marked a decisive turn in the People's Democracies. The working class seized power and the People's Democracies became proletarian dictatorships. This development went hand in hand with the consolidation of the socialist sector in the national economy; the dislodging of capitalist elements from industry, banking, credit, transportation, and wholesale commerce; and the initiation of planned economy.

Execution of a Two-Year Plan in Bulgaria and Czechoslovakia and of a Three Year Plan in Poland and Hungary was begun in 1947. The relationship between workers and work changed, and socialist competition received a powerful impetus. The productivity of labor, as well as production, increased at a pace unimaginable under capitalism. War damage was eliminated. At the same time, the worker's standard of living began to approach, or surpass, prewar levels.

Cooperation between the People's Democracies and the USSR continued to develop vigorously, primarily in foreign trade. In the sound development of foreign trade the foreign trade monopolies played an important role. Such monopolies were created in the USSR by a decree signed by Lenin and Stalin as early as 22 April 1918. In the People's Democracies concentration of foreign trade in the hands of the state was a prerequisite for planned economy.

"Without such monopolies," Lenin, said "we cannot defend our internal economic independence." Stalin declared: "As long as Soviet power stands, foreign trade monopoly will live and flourish, no matter what happens." In the USSR, foreign trade monopoly served to protect the country's internal economy from foreign onslaughts, eliminated the anarchy prevailing on capitalist markets as well as the effects of price fluctuations, and guaranteed economic progress without depressions.

Soviet foreign trade experienced a remarkable upswing after World War II and soon surpassed the prewar level. Its content and direction, however, changed. Trade with the capitalist countries decreased, and trade with the People's Democracies increased substantially. At the same time according to Mikoyan, "a change took place in the function of foreign commerce conducted with the People's Democracies. In this respect, foreign trade served not so much to protect the economy of the USSR as to coordinate the Soviet economy with the national economies of the People's Democracies, as a means of mutual help and common economic development."

Mikoyan's statement is true of the tasks of the foreign trade monopolies of the People's Democracies also. These tasks are to promote general economic development, to strengthen the national economy, and to safeguard it against the economic onslaught of capitalist countries, the anarchy prevailing on the capitalist markets, price fluctuations, and capitalist depressions. The foreign trade monopolies also serve to coordinate commerce with the USSR and other People's Democracies and for mutual assistance.

In 1947 - 1948, large-scale expansion of foreign trade between the countries of the camp of democracy was not yet accompanied by a reduction in trade between these countries and the capitalist world. As mentioned in the foregoing, foreign trade in the People's Democracies accounts for a far larger proportion of total production than is the case in the USSR. Their trade with the capitalist countries increased with the rapid advance in their economies, although it actually receded in terms of total production. Our trade decreased in absolute volume and then completely stopped with one foreign country only, --Yugoslavia--since mid-1948, when the Cominform unmasked Tito as a traitor. The People's Democracies have stopped trading with fascist Yugoslavia as they have with fascist Spain and monarchofascist Greece.

~~RESTRICTED~~

STAT

The USSR and the People's Democracies tried to maintain normal, good neighborly relations with the capitalist countries on the basis of the Leninist-Stalinist principle that coexistence and cooperation between capitalist and socialist countries is possible.

It is well known that Stalin stated as early as 1927 that "the basis of our relations with the capitalist countries is the principle that the two conflicting systems can coexist side by side." Later he added: "Exports and imports are the most suitable basis for agreement. We need machinery and raw materials, e.g., cotton and semifinished products (metals, etc.), while the capitalists need markets for their products. They need petroleum, timber, and grain, while we have a surplus in these products. This is, therefore, the basis for agreement."

Soon after World War II, in 1946, Stalin said in a conversation with Alexander Werth, Moscow correspondent of the London Sunday Times, that he did not doubt that the possibilities for peaceful cooperation between the USSR and the outside world could increase. He also said that friendly relations between the USSR and Britain could be enhanced considerably by closer political, commercial, and cultural ties between the two countries. This was, therefore, and continues to be consistently, the attitude of the USSR as well as of Hungary.

However, the capitalist countries, primarily the US, placed their foreign commerce in the service of preparations for war. Also, they introduced openly a discriminatory commercial policy vis-a-vis the USSR and the People's Democracies. This policy, they expected, would block or at least slow up the development of the peace camp.

The Marshall Plan was unmasked increasingly as a plan of preparation for war. The Congressional act of 3 April 1948 states: "The Administrator of the Marshall Plan is required to prohibit the countries which participate in the plan from exporting any goods, or products capable of being processed into war materials, to countries which do not participate in the plan. They can do so only with the permission of the Administrator in the interests of the national security of the US." The act also states that if, in the Administrator's opinion, "prohibition of the exportation of certain goods to any European country which does not participate in the plan should become necessary in the national interest of the US, the government officials or agencies in charge of the execution of the export prohibition on equipment on goods suitable for being processed into war materials are required to prevent the exportation of such goods into the countries in question."

These provisions of the law were, of course, not welcomed enthusiastically by the European capitalist countries. But the law made even greater demands on them. It made it mandatory for the countries participating in the plan to conclude bilateral agreements with the US. These bilateral agreements imposed far more unpleasant obligations on the US satellites. They guaranteed to the imperialist sharks of the US rights which permitted them to choke, at their pleasure, any industrial branch, or to devalue the currency, of a participating country.

The European capitalist countries were rebellious against these severe orders, as well as against the demand that the US should have the right to dictate what they were permitted to export to the USSR and the People's Democracies and what not. It was obvious that by adhering to the order they would lose valuable markets and raw material sources. However, the US was adamant. US representative Hoffman announced that the US refused to export certain goods to Eastern Europe for strategic reasons and that, since the US would not export these goods, the Marshall Plan participants were also prohibited from doing so. Finally, the European capitalists assented to all the Americans' demands.

STAT

Minister President Zsotocky of Czechoslovakia said as early as October 1948: "It is not our fault that certain circles in the US prevent the delivery of goods ordered by Czechoslovakia; they fail to deliver even goods for which we have paid in dollars." Soon, however, the West European capitalist countries, too, began to employ discrimination against the countries of the peace camp.

On the grounds of their earlier experiences, neither the US nor the other capitalist countries could seriously hope to create disturbances in the national economy of the USSR. They were, however, justified in expecting difficulties in the People's Democracies, since, as shown above, their trade with the latter countries was heavy.

Hungary began to feel the pinch at the end of 1948. Export permits were refused for 35 items, including machine tools, pharmaceutical basic materials, and other chemicals. The machines included cogwheel and tapered cogwheel making, milling, horizontal profiling, portable milling, and sheet-shearing machines and tapered wheel lathes. Pharmaceutical and other chemical products included resorcin, diphenylamine, analytical chemicals, and active carbon black.

It will be seen that these items are not explicitly war materials, but important means of peaceful production. Most articles used in peacetime production are, of course, needed in modern warfare. Consequently, these machines and chemicals are also suitable for the manufacture of war materials. However, very few machines or chemicals exist which, in some form, could not be used for the production of war materials or in the national economy of a belligerent state.

The camp of democracy, too, has to combine in an effort to improve its defense against such onslaughts of the capitalist world. In January 1949, the CEMA was created, with six countries, the USSR, Hungary, Poland, Czechoslovakia, Bulgaria, and Rumania, participating at first. The by-laws state that the CEMA is an open organization, which other European countries, too, may join. Albania and the GDR (German Democratic Republic) joined it.

As shown in the foregoing, cooperation between the USSR and the People's Democracies had been extremely fruitful even before the creation of the CEMA and resulted in the rapid expansion of economic relations between the friendly countries. These relations have become particularly close since the People's Democracies undertook to build socialism. The internal transformation of the People's Democracies was a prerequisite for the creation of CEMA. The new organization opened a new chapter in the economic cooperation of the participating countries and speeded up their development. It was also a new factor in eliminating difficulties which stood in the way of cooperation.

Some people in our camp felt that it would be difficult to expand our economic relations, because our countries, far from complementing one another economically, show abundance as well as scarcity in the same products. This argument was based on the fact that the three People's Democracies which are most advanced economically—Czechoslovakia, Poland, and Hungary—have relatively well-developed light industries and highly developed textile industries, while, on the other hand, Hungary, Rumania, Bulgaria, and Poland have surpluses in certain agricultural products. All countries which are on the road to rapid industrialization, therefore, urgently need increasing amounts of machinery and rolled goods. They all need imports in important raw materials, such as cotton, wool, leather, nonferrous metals, etc. These are actual facts which, however, do not prevent the further expansion of our economic ties.

If some of our countries are in a position to export textiles, these products can be marketed in other People's Democracies which do not have an advanced textile industry or in the USSR, which is importing large amounts of textiles from the People's Democracies. In agricultural products our countries complement one another. In the event that several CEMA members should export the same product to capitalist countries, the export plans and policies must be coordinated.

STAT

Conversely, the fact that certain products must be imported by all or a majority of our countries should stimulate CEMA members to find ways to dispense with the importation of all items from capitalist countries. They should, therefore, increase their production of nonferrous metals because, in the final analysis, collectively they possess practically all nonferrous metals.

The combined effort in this field should also include mutual help, for example, in the manufacture and shipment of geological research equipment and mining and refining installations. Our countries should also increase their wool production, introduce certain alien plants, such as cotton and kok-sagyz, and exchange seed and experiences. The same applies to the manufacture of substitute and artificial products, which are suitable for replacing nonferrous metals, leather, and other scarce materials.

Thus, conditions which at first seemed to restrict cooperation became, through the activities of CEMA, factors urging and fostering cooperation.

One of the handicaps—both in Hungary and in the other People's Democracies—is the capitalist spirit which is still alive. It exists among commercial as well as technical workers and finds various forms of expression. Evidence of the cosmopolitan attitude is, for example, contempt for the scientific and technological achievements of the USSR and also for Soviet machines, tools, and products. Or, if they cannot or dare not belittle Soviet products, they revile the products of friendly People's Democracies, pointing out the excellence of similar products made in capitalist countries.

The old capitalist spirit, which has found expression repeatedly, at least during the first years after liberation, is evidenced also in the employment of commercial tricks which characterize capitalist commerce. Cheating and misleading statements were resorted to in an attempt to purchase at a lower or sell at a higher price, or to unload inferior merchandise. The CEMA is endeavoring to stabilize prices with due regard to world market prices, while bargaining and capitalist methods to jack up or depress prices have, by now, been largely eliminated.

A tough and consistent campaign is being conducted against all forms of this old spirit, particularly because most of them serve to conceal the enemy.

Some of the commercial agreements for 1949 were concluded in January 1949, when the CEMA was created. Subsequently, the CEMA members expanded their mutual trade relations by supplementary agreements. As a result, the interchange of products among the friendly countries was increased considerably during 1949. In the latter year, two thirds of the foreign commerce of the USSR was conducted with the People's Democracies. However, a large part of the People's Democracies, including Czechoslovakia, Poland, and Hungary, was still doing more business with capitalist countries than with CEMA members.

The turning point came in 1950, when over half of the foreign trade of CEMA members was conducted with one another. In 1950, the foreign trade of the USSR increased 20 percent with Hungary, 25 percent with Bulgaria, and 30 percent with Rumania, as compared with 1949. Poland's trade increased 135 percent with Hungary, 25 percent with Czechoslovakia, and 52 percent with Rumania during the same period. A similar development took place in the trade of the other friendly countries.

Nothing is more characteristic of the rapid increase in the interchange of trade between the People's Democracies than the fact that the combined foreign commerce between Hungary, Poland, Czechoslovakia, Bulgaria, and Rumania increased fourfold in 4 years, that is, between 1947 and 1950. During the same period, Soviet trade with Bulgaria and Poland was stepped up 100 percent, with Rumania 300 percent, with Hungary 400 percent, and with Czechoslovakia over 400 percent.

~~RESTRICTED~~

STAT

The above development was due partly to the discriminatory policy of the war camp led by the US. The British government published a list of strategic materials on 8 April 1949 and prohibited their export to East European countries. The list includes over 25 kinds of machine tools, all cutters equipped with diamond, compressors, abrasives, natural and artificial graphite, tar, lubricants, etc.

Under US pressure Sweden, Switzerland, and other capitalist countries also discontinued certain exports to the countries of the democratic camp.

IV. INTRA-ORBIT TRADE AGREEMENTS

Every new success achieved by the USSR and the People's Democracies increased the efforts of the imperialist camp to prepare for a new war. In March 1948, the Marshall Plan gave birth to another organization, the so-called Western Union. This was the alliance of Britain, France, Belgium, Luxembourg, and the Netherlands, with a general staff stationed in Fontainebleau, under the auspices and direction of the US, explicitly for the purpose of preparing war against the USSR and the People's Democracies.

News items on the "military Marshall Plan" appeared a few months later. This military plan crystallized in the so-called NATO and was ratified in April 1949, that is, a year after the enactment of the Marshall Plan by the US Congress.

The text abounds in empty peaceful phrases. However, even at its very beginning the NATO produced a host of warlike measures preparing an offensive against the USSR and the People's Democracies. At the same time, rearmament is being pressed in the imperialist countries at a speed unprecedented in history. All NATO countries are subordinating the needs of peace economy to the requirements of war, increasing the pressure on the masses, and depressing the workers standard of living.

Yet the fate of the world did not follow the course which would have pleased the imperialist camp. The year in which the NATO agreement was concluded signified the powerful consolidation of the peace camp instead of that of the manufacturers of death. The Chinese People's Democracy was proclaimed on 1 October 1949 after the troops of Chiang Kai-shek, the American puppet, had been driven out of continental China. This was the worst defeat of imperialism since the victory of the October Revolution. During the same year, several henchmen of Tito were unmasked. Hungary made short shrift of Rajk and Bulgaria of Traicho Kostov and his gang. Thus, the imperialists lost some of their aces.

Economic ties between the USSR and the People's Democracies meanwhile continued to become more intimate. The most important forms of these ties were the long-term agreements between CEMA members. Similar long-term agreements had been concluded even before the CEMA was created. For example, in 1948, Hungary concluded a trade agreement with the USSR for the period 1948 - 1953, while in 1947, the USSR and Czechoslovakia had signed a trade agreement for 1948 - 1952.

However, these early agreements were, both in extent and specification of obligations, considerably less important than the later long-term trade agreements. Actually, they may be regarded as expressions of the directions in which the participating countries desired to expand their mutual relations.

Among the early long-term trade agreements, that concluded between the USSR and Poland in January 1948 was the most important and served as a model for subsequent instruments. This agreement provided for bilateral trade in an amount

STAT

exceeding one billion dollars. The USSR undertook to export, among other items, iron, chrome, and manganese ores, oil products, cotton, aluminum, asbestos, automobiles, tractors, etc., to Poland in exchange for coal, coke, textile products, zinc, sugar, steel products, railroad rolling stock, cement, etc.

At the same time, an agreement was signed under which the USSR extended a 450-million-dollar medium-term loan to Poland for the purchase of industrial equipment. This agreement was concluded for the period 1948 - 1956. The USSR undertook to furnish complete installations for a large-scale metallurgical works, chemical factories, metal processing, textile manufacturing, and other industrial plants, as well as for power plants.

Since the establishment of CEMA, the member countries have been endeavoring to develop earlier long-term agreements. It was not intended, however, that every member should conclude a long-term agreement with every other member.

The significance of these long-term trade agreements is primarily that they are the chief instruments for coordinating the economic plans of two countries which operate on the basis of planned economy.

The long-term agreements provide a firm basis for the planning of foreign trade and thereby facilitate planning for the national economy as a whole. Through these agreements each CEMA member is enabled to plan the production of various goods in amounts far exceeding its own requirements, since the surplus can be marketed without difficulty. Since the agreements cover a long period, they facilitate planning, permit each country to lay down the main lines of its industrial development, and promote the division of labor and specialization among the member. Also, volume production permits the introduction of serial manufacture and standardization. All this should increase productivity and reduce production costs.

Under the long-term agreements with the USSR, complete factories are to be designed and installed by the USSR, which will introduce up-to-date technology into the People's Democracies. For example, in 1951 the USSR and Rumania entered into a long-term agreement which provides for a 50-percent increase in trade between the two countries as compared with 1946 - 1951. Within the framework of this agreement, the USSR is shipping complete factories to Rumania, including a metallurgical works with a capacity which will equal several times the total output of Rumania's entire metallurgical industry in 1938. In addition, the long-term agreements will provide a basis for planning large-scale production of scarce raw materials.

Due to the initiative of the CEMA another important method of cooperation between the USSR and the People's Democracies was evolved in recent years: scientific and technological cooperation. Cooperation of this nature is unimaginable in capitalist countries where each new process is a secret with seven seals. In these countries new inventions, discoveries, and processes are not freely disseminated but sold, mostly for royalties, and the purchaser thus becomes a taxpayer of the seller.

Scientific and technological cooperation between the USSR and the People's Democracies is of an entirely different nature. Every member of CEMA enters into a scientific and technological cooperation contract with every other member. Under this contract each country releases new scientific and technological information in its possession free of charge and does its best to introduce proved methods in the friendly countries by delegating its own experts or instructing the experts of the friendly country, etc. This method is possible only because of the entirely new relationship which unites the CEMA members. It is based on the principle that the interests of one country coincide with those of all friendly countries.

Obviously, scientific and technological cooperation is particularly important between the People's Democracies and the USSR. It permits the introduction of leading Soviet scientific and technological achievements.

STAT

The long-term foreign trade agreements and the scientific and technological cooperation contracts are complementary. They guarantee the greatest advantages to the People's Democracies, especially when the USSR extends assistance in creating large-scale projects of a new kind, which could not be realized by the efforts of a People's Democracy alone. Such projects in Hungary are the Stalin Steelworks, the Budapest subway, and the new giant blast furnace at Diosgyor. None of these could be built using our own experience, our own designers, and our own materials and equipment alone. Similar projects are the Nova Huta, Poland's largest steelworks, the giant steel combine in Slovakia, the Danube-Black Sea Canal and the Scanteia printing combine in Rumania, and the "Stalin" Chemical Combine and the giant Vulko Chervenkov Steam-Heat and Electric Power Station in Bulgaria. In addition, a long list of smaller but still highly important projects could be cited.

This combination of long-term agreements and scientific and technological assistance is growing in importance. For example, Hungary helped Bulgaria build the Nadezhda thermal power plant. Even more important, however, is the 1951 agreement between Hungary and Czechoslovakia, under which cooperation was established in bauxite mining and electric power supply. Due to Czechoslovak cooperation the first two units of the Inota power plant were connected with Hungary's power grid ahead of the scheduled time. At the same time, alum and aluminum factories are being built in Czechoslovakia with the help of Hungarian designers, builders, and workers.

These are, however, but the first steps toward the close friendly cooperation which is to assume far greater importance in the national economies of both countries in the next few years. Similar cooperation is possible also between Hungary and other People's Democracies, and some of these possibilities will presumably be realized during the next years.

The CEMA has also been instrumental in the coordination of standardization and transportation. Standardization is highly important from the viewpoints of the introduction of the most advanced technological methods, material conservation, increase in productivity, and reduction of production costs. In this respect, the task of the People's Democracies is greatly facilitated by the fact that they have the opportunity of adopting many thousand excellent Soviet standards.

Transportation problems have an important bearing from the viewpoint of international commerce. These problems concern the railroads and river and sea navigation. The CEMA countries generally endeavor to use the means and routes of transportation of member countries. For example, Bulgaria uses in its traffic with Western countries the Rumanian-Hungarian-Czechoslovak instead of the Yugoslav-Italian railroads. For transportation by waterways, primarily the Danube, Oder, and a few other rivers are available to several People's Democracies. In the case of transportation by sea we endeavor to ship overseas cargoes, wherever possible, via Polish, Rumanian, or Bulgarian instead of West German, Dutch, Belgian, or Italian ports to and from the People's Democracies. All this permits full and economical utilization of the railroad net, rolling stock, river and sea vessels, and ports of CEMA members.

V. WESTERN EXPORT RESTRICTIONS

The effects and results of the cooperation between the USSR and the People's Democracies can hardly be overestimated. This cooperation speeds the development of the participating countries, steps up socialist building, strengthens the independence of the People's Democracies, and eliminates the effects of capitalist depressions in our camp.

STAT

The imperialists have, of course, not given up hope of blocking our progress. During 1951, the US compelled additional countries to introduce discriminatory measures against the People's Democracies. For example, France refused to supply anode mold and inner tubes, despite the fact that the Hungarian-French trade agreement provided a quota in these products for us. West Germany blocked the delivery of a large amount of goods which had been paid for in advance. Danish authorities refused to issue an export license for sebacic acid. Soon thereafter, West Germany used force to block the shipment of goods for which Hungary had previously obtained an export license. West Germany also blocked shipments in transit consigned to Hungary.

In June 1951, the US Congress enacted a law terminating all commercial agreements with the People's Democracies. As a result, the US government arbitrarily canceled its commercial agreements with the USSR, Hungary, Czechoslovakia, Poland, Rumania, and Bulgaria and revoked the privilege of the most-favored-nation clause from goods originating in these countries. Moreover, the US government blacklisted approximately 1,700 items and by threatening withdrawal of so-called "assistance," enjoined its European satellite from exporting blacklisted goods to the countries of democracy.

At the beginning of July 1951 the British government confiscated the Polish ships Beskida and Tatra, which had been ordered in Britain in 1948 on the basis of the British-Polish agreement of 9 June 1947. When in August 1951 the Egyptian government concluded a trade agreement with the USSR--the fourth since the end of the war--the US government threatened to stop "assistance" appropriated to Egypt. Under US pressure all trade relations between West Germany on the one hand and the GDR, Japan /sic/, and the People's Republic of China on the other have been broken off.

This warmongering policy of the imperialist countries affects primarily the working masses of the capitalist countries. The unprecedented increase in armament expenditures has resulted in skyrocketing national budgets and serious disorders even in such leading capitalist countries as Britain and France. The cost of armng is paid by the workers everywhere, and the most effective method of exploiting the workers is inflation.

Retail prices have gone up and the purchasing power of wages has dropped everywhere, even in the US. The industrial branches which are not working for war preparations directly are having a hard time securing materials and are laying off part of their workers. The profits of the war industry are harvested by the big monopolies.

The millions of the oppressed masses in the capitalist countries are raising their voice with increasing force against the warmongering policy of the US, and this policy is condemned even by certain representatives of the bourgeoisie of the satellite countries. Yet US policy has been frustrated in its endeavor to block the development and consolidation of the peace camp.

The USSR and the People's Democracies will not be diverted from their path and aims by the aggressors' discriminatory policy. Often refusal of an export license by a capitalist country had an effect opposite to that hoped for by the capitalists. They thought that by refusing to export certain commodities to the peace camp its further development would be slowed up. Actually, all they achieved was that the countries of the peace camp have built plants to make products which they had not manufactured before.

The imperialists' efforts have caused us smaller or greater difficulties, but could not slow up our progress. The year when the frantic US politicians stepped up their measures against us to an extraordinarily great extent was 1951, precisely the year in which Hungary, Poland, and Czechoslovakia augmented their economic plans considerably and also successfully fulfilled the augmented plans.

STAT

As compared with 1950, industrial production in 1951 rose by over 30 percent in Hungary, 24 percent in Poland, 14.9 percent in Czechoslovakia (20 percent in Slovakia), over 29 percent in Rumania, 19 percent in Bulgaria, and 47.1 percent in Albania. As compared with prewar production figures, Poland and Hungary showed an increase of 250 percent, Czechoslovakia over 50 percent (250 percent in Slovakia), and Albania over 300 percent. Industrial production in the USSR in 1951 was 16 percent in excess of the 1950 production volume and over 100 percent greater than in 1940. Investments were over 100 percent larger than before the war.

* * *

Cooperation between the USSR and the People's Democracies opens up new vistas for progressive mankind. In contrast to this perspective, the loss of markets in the People's Democracies and the People's Republic of China has intensified the crisis of the capitalist system.

The new world outside the boundaries of the capitalist countries continues to increase in strength from day to day. It leans on the USSR, an extensively industrialized country, which possesses all essential raw materials in abundance. All countries in this new world live in friendly cooperation, helping one another and increasing in strength.

The prospect for maintaining peace and securing a more abundant life for our peoples increases in proportion to our increasing strength. Over an area which constitutes nearly one fourth of the total area of the world and has over one third of the world's population, the peoples are linked together by friendly ties based on equality and the will to help one another mutually. Inspired by this friendly spirit, 800 million people in the peace camp are shaping their economic relations in accordance with plans. No power exists which can prevail against this camp.

- E N D -